CAPRICORN DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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General Information

Mayoral committee	
Executive Mayor	Mpe MJ
Councillors	Mohale MM (Speaker) - from 23 May 2019
	Lekganyane NM (Speaker) - until 22 May 2019
	Masoga MC(Chief whip)
	Ntsoane MA (MMC : Sports Arts and Culture)- Until September 2018
	Boloka MP(MMC : Finance)
	Kgare MB (MMC : Community Services)
	Malebana CWD (MMC : Developmental Planning and Environmental Management Services)
	Masubelele JA (MMC : Strategic Executive Management Services)
	Selamolela MS (MMC : Local Economic Development)
	Kgatla KE (MMC : Corporate Services)
	Masoga PS (Chairperson : Committee of chairpersons)
	Motjopi S (Chairperson : Ethics, Rules and Integrity Committee)
	Molepo FJ (Chairperson : Infrastructure Services Portfolio Committee)
	Morotoba NL (Chairperson : Community Services Portfolio Committee)
	Mothata ML (Chairperson : Strategic Executive Management Services Portfolio Committee)
	Phoshoko MS (Chairperson : Finance Portfolio Committee)
	Ledwaba PE (Chairperson : Corporate Services Portfolio Committee)
	Masekwameng MR (Chairperson : Development Planning and Environmenal Management Portfolio Committee)
	Makgato MP (Chairperson : Municipal Public Accounts Committee)
	Baloyi RA (Member)
	Botha AH (Member)
	Chidi RDT(Member)
	Dikgale SJ (Member)
	Hlangwane KV (Member)
	Hopane TE (Member)
	Khan N (Member)
	Kubheka DO (Member)
	Legodi NJ (Member)
	Lehong MV(Member)
	Mabena KL(Member)
	Mabote MG(Member)
	Mahlo NP(Member) - until 22 May 2019
	Makgahlela MB(Member)
	Maleka ME (Member)
	Malema RR (Member)
	Mapakela MM (Member)
	Mathabatha TP (Member)
	Moabelo ML (Member)
	Modiba MS(Member)
	Modiba MT (Member)
	Mogashoa ME (Member)
	Mogale TJ(Member)
	Molokomme MM (Member)
	Mosena DD (Member)
	Mothata LS (Member)

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General Information

	Motolla MO(Member) Phoshoko NC(Member) Rababalela MS (Member) Rakimana PT(Member) Ramaloko SE (Member) Ratau IG (Member) Sekgobela M (Member) Sesera MC (Member) Setjie ND (Member) Sivhabu NA (Member)
Accounting Officer	Mazibuko Nokuthula
Chief Finance Officer (CFO)	Thabo Nonyane
Grading of local authority	Category B - Grade 5
Auditors	Auditor - General
Bankers	FNB (Primary bank account)
Registered office	41 Biccard Street Polokwane 0700
Business address	41 Biccard Street Polokwane 0700
Postal address	PO Box 4100 Polokwane 0700
Telephone number	015 294 1000
Fax number	015 291 4297
Email address	info@cdm.org.za

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Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant

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Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these financial statements for the year ended 30 June 2019, as set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 18 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year 30 June 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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Mazibuko Nokuthula
Municipal Manager

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Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is engaged in local government activities, which includes planning and promotion of integrated development plan and supplying of the services to the community which are water, sanitation, fire and environmental health services.

Net surplus of the municipality was R 204 376 110 (2018: surplus R 246 725 833).

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 2 698 623 722 and that the municipality's total assets exceed its liabilities by R 2 698 623 722.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

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Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	4	4 192 675	5 643 304
Other financial assets	41	255 042 065	269 752 675
Receivables from non-exchange transactions	3	25 396 949	12 477 763
VAT receivable	6	21 963 511	41 632 326
Prepayments	5	3 290 106	2 811 582
Receivables from exchange transactions	15	59 969 762	44 493 685
Cash and cash equivalents	2	1 525 284	4 562 616
		371 380 352	**381 373 951**
Non-Current Assets			
Property, plant and equipment	7	2 605 714 301	2 395 607 857
Intangible assets	8	5 521 999	10 192 668
		2 611 236 300	**2 405 800 525**
Total Assets		**2 982 616 652**	**2 787 174 476**
Liabilities			
Current Liabilities			
Finance lease obligation	13	1 948 162	1 759 134
Operating lease liability	14	212 296	140 262
Payables from exchange transactions	10	223 968 190	237 474 984
Unspent conditional grants and receipts	12	-	371 801
Provisions	11	11 345 665	11 054 834
		237 474 313	**250 801 015**
Non-Current Liabilities			
Finance lease obligation	13	-	1 948 162
Provisions	11	46 518 617	40 177 682
		46 518 617	**42 125 844**
Total Liabilities		**283 992 930**	**292 926 859**
Net Assets		**2 698 623 722**	**2 494 247 617**
Accumulated surplus		2 698 623 722	2 494 247 617

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* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	42	70 928 518	70 109 503
Other income	44	1 680 378	1 833 137
Interest received - external investment	46	29 477 893	32 028 873
Actuarial gains	25	210 000	416 000
Interest earned -outstanding receivables	46	18 038 581	19 484 497
Total revenue from exchange transactions		**120 335 370**	**123 872 010**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	43	858 788 000	855 241 873
Total revenue	16	**979 123 370**	**979 113 883**
Expenditure			
Employee related costs	17	(296 936 419)	(294 238 283)
Remuneration of councillors	18	(14 190 445)	(15 554 134)
Depreciation and amortisation	20	(70 667 652)	(64 120 375)
Finance costs	22	(298 878)	(473 782)
Lease rentals on operating lease	48	(9 935 239)	(11 293 074)
Debt Impairment	45	(63 634 565)	(78 739 166)
Commission expense	19	(26 690 129)	(26 887 395)
Bulk purchases	23	(63 918 892)	(65 223 237)
Contracted services	49	(124 034 806)	(125 795 032)
Transfers and Subsidies	24	(3 030 658)	(3 000 000)
Loss on disposal of assets and liabilities	51	(477 937)	(864 414)
Impairment Loss	37	(9 873 651)	(3 677 153)
Derecognition of assets	21	(39 609 385)	-
General Expenses	34	(51 448 604)	(42 522 005)
Total expenditure		**(774 747 260)**	**(732 388 050)**
Surplus for the period		**204 376 110**	**246 725 833**

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* See Note 39

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 216 768 916	2 216 768 916
Adjustments		
Prior year adjustments	30 752 868	30 752 868
Balance at 01 July 2017	**2 247 521 784**	**2 247 521 784**
Changes in net assets		
Surplus for the year	246 725 833	246 725 833
Total changes	246 725 833	246 725 833
Restated* Balance at 1 July 2018	**2 494 247 612**	**2 494 247 612**
Changes in net assets		
Surplus for the year	204 376 110	204 376 110
Total changes	204 376 110	204 376 110
Balance at 30 June 2019	**2 698 623 722**	**2 698 623 722**

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* See Note 39

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Income received from service charges and other income		19 311 434	17 465 570
Grants		858 788 000	856 217 392
Interest received- external investments		29 477 893	32 028 873
Interest earned -outstanding receivables		18 038 581	19 484 497
		925 615 908	925 196 332
Payments			
Employee costs		(304 495 098)	(304 182 832)
Suppliers		(262 932 115)	(211 493 925)
Finance costs		(298 878)	(473 782)
		(567 726 091)	(516 150 539)
Net cash flows from operating activities	27	**357 889 817**	**409 045 793**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(377 396 893)	(382 703 137)
Proceeds from sale of property, plant and equipment	7	-	293 498
Purchase of other intangible assets	8	-	(2 655 607)
Net cash flows from investing activities		**(377 396 893)**	**(385 065 246)**
Cash flows from financing activities			
Finance lease payments		1 759 134	3 707 296
Net increase/(decrease) in cash and cash equivalents		**(17 747 942)**	**27 687 843**
Cash and cash equivalents at the beginning of the year		274 315 291	246 627 448
Cash and cash equivalents at the end of the year	2	**256 567 349**	**274 315 291**

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* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	64 176 000	6 500 000	**70 676 000**	70 928 518	**252 518**	42
Other income	1 542 000	-	**1 542 000**	1 680 378	**138 378**	44
Interest received - external investment	25 740 000	-	**25 740 000**	29 477 893	**3 737 893**	46
Interest earned -outstanding receivables	-	-	-	18 038 581	**18 038 581**	
Total revenue from exchange transactions	**91 458 000**	**6 500 000**	**97 958 000**	**120 125 370**	**22 167 370**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	858 788 000	77 609 000	**936 397 000**	858 788 000	**(77 609 000)**	43
Total revenue	**950 246 000**	**84 109 000**	**1 034 355 000**	**978 913 370**	**(55 441 630)**	
Expenditure						
Personnel	(321 565 000)	23 398 000	**(298 167 000)**	(296 936 419)	**1 230 581**	17
Remuneration of councillors	(13 077 000)	(1 396 000)	**(14 473 000)**	(14 190 445)	**282 555**	18
Depreciation and amortisation	(53 034 000)	(17 651 000)	**(70 685 000)**	(70 667 652)	**17 348**	20
Finance costs	(470 000)	160 000	**(310 000)**	(298 878)	**11 122**	22
Lease rentals on operating lease	(12 450 000)	(1 936 000)	**(14 386 000)**	(9 935 239)	**4 450 761**	
Debt impairment	(32 088 000)	22 985 000	**(9 103 000)**	(63 634 565)	**(54 531 565)**	45
Commission expense	(19 253 000)	(26 065 000)	**(45 318 000)**	(26 690 129)	**18 627 871**	
Bulk purchases	(62 597 000)	247 000	**(62 350 000)**	(63 918 892)	**(1 568 892)**	23
Contracted Services	(181 858 000)	68 679 000	**(113 179 000)**	(124 034 806)	**(10 855 806)**	49
Transfers and Subsidies	(3 300 000)	-	**(3 300 000)**	(3 030 658)	**269 342**	24
Derecognition of assets	-	-	-	(39 609 385)	**(39 609 385)**	
General Expenses	(52 364 000)	(42 579 000)	**(94 943 000)**	(51 448 604)	**43 494 396**	34
Total expenditure	**(752 056 000)**	**25 842 000**	**(726 214 000)**	**(764 395 672)**	**(38 181 672)**	
Operating surplus	**198 190 000**	**109 951 000**	**308 141 000**	**214 517 698**	**(93 623 302)**	
Loss on disposal of assets and liabilities	-	-	-	(477 937)	**(477 937)**	
(Impairment loss)/Reversal of impairment loss	-	-	-	(9 873 651)	**(9 873 651)**	
Actuarial gains/losses	-	-	-	210 000	**210 000**	
	-	-	-	**(10 141 588)**	**(10 141 588)**	
Surplus for the year	**198 190 000**	**109 951 000**	**308 141 000**	**204 376 110**	**(103 764 890)**	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4 697 162	-	**4 697 162**	4 192 675	**(504 487)**	4
Other financial assets	143 656 478	-	**143 656 478**	255 042 065	**111 385 587**	41
Receivables from non-exchange transactions	28 567 337	-	**28 567 337**	25 396 950	**(3 170 387)**	3
VAT receivable	-	-	-	21 963 511	**21 963 511**	6
Prepayments	-	-	-	3 290 106	**3 290 106**	5
Consumer debtors	56 275 696	-	**56 275 696**	59 969 762	**3 694 066**	15
Cash and cash equivalents	10 000	-	**10 000**	1 525 284	**1 515 284**	2
	233 206 673	-	**233 206 673**	**371 380 353**	**138 173 680**	
Non-Current Assets						
Property, plant and equipment	2 443 736 525	-	**2 443 736 525**	2 605 714 301	**161 977 776**	7
Intangible assets	8 014 830	-	**8 014 830**	5 521 999	**(2 492 831)**	8
	2 451 751 355	-	**2 451 751 355**	**2 611 236 300**	**159 484 945**	
Total Assets	**2 684 958 028**	-	**2 684 958 028**	**2 982 616 653**	**297 658 625**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	1 948 162	**1 948 162**	13
Operating lease liability	-	-	-	212 296	**212 296**	14
Payables from exchange transactions	120 389 316	-	**120 389 316**	223 968 192	**103 578 876**	10
Provisions	11 277 371	-	**11 277 371**	11 345 665	**68 294**	11
	131 666 687	-	**131 666 687**	**237 474 315**	**105 807 628**	
Non-Current Liabilities						
Provisions	30 782 719	-	**30 782 719**	46 518 617	**15 735 898**	11
Total Liabilities	**162 449 406**	-	**162 449 406**	**283 992 932**	**121 543 526**	
Net Assets	**2 522 508 622**	-	**2 522 508 622**	**2 698 623 721**	**176 115 099**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 522 508 622	-	**2 522 508 622**	2 698 623 721	**176 115 099**	

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Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	9 626 400	-	**9 626 400**	17 631 056	**8 004 656**	
Grants	858 788 000	77 609 000	**936 397 000**	858 788 000	**(77 609 000)**	
Interest income	25 740 000	-	**25 740 000**	29 477 893	**3 737 893**	46
Interest earned -outstanding receivables	-	-	-	18 038 581	**18 038 581**	
Other receipts	1 542 000	-	**1 542 000**	1 680 378	**138 378**	44
	895 696 400	**77 609 000**	**973 305 400**	**925 615 908**	**(47 689 492)**	
Payments						
Employee costs	(334 642 000)	33 279 000	**(301 363 000)**	(304 495 098)	**(3 132 098)**	
Suppliers	(360 610 000)	(57 573 000)	**(418 183 000)**	(259 901 457)	**158 281 543**	
Finance costs	(470 000)	-	**(470 000)**	(298 878)	**171 122**	22
Transfers and grants	(3 300 000)	-	**(3 300 000)**	(3 030 658)	**269 342**	24
	(699 022 000)	**(24 294 000)**	**(723 316 000)**	**(567 726 091)**	**155 589 909**	
Net cash flows from operating activities	**196 674 400**	**53 315 000**	**249 989 400**	**357 889 817**	**107 900 417**	27
Cash flows from investing activities						
Purchase of property, plant and equipment	(251 224 000)	(127 602 000)	**(378 826 000)**	(377 396 893)	**1 429 107**	7
Cash flows from financing activities						
Finance lease payments	-	-	-	1 759 134	**1 759 134**	
Net increase/(decrease) in cash and cash equivalents	(54 549 600)	(74 287 000)	**(128 836 600)**	(17 747 942)	**111 088 658**	
Cash and cash equivalents at the beginning of the year	180 328 000	-	**180 328 000**	274 315 291	**93 987 291**	
Cash and cash equivalents at the end of the year	**125 778 400**	**(74 287 000)**	**51 491 400**	**256 567 349**	**205 075 949**	

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

No.	Title of Standard	Impact on GRAP Reporting Framework
GRAP 32	Service concession Arrangements: Grantor	No impact as the municipality is not an Entity
GRAP 108	Statutory Receivables	No impact impact
GRAP 109	Accounting by Principals and agents	No impact impact

An effective date is yet to be determined for the other standards by the Minister.

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Accounting Policies

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Buildings	10-55
Furniture and fixtures	5-13
Motor vehicles	
• Specialised services	5-17
• Other vehicles	5-17
Machinery and equipment	5-17
IT equipment	5-20
Computer software	5-13
Infrastructure	
• Roads and paving	15-50
Community	
• Buildings	10-55
• Security	3-10
Other equipment	
• Copiers	3-6
• Telephones	3-6
• Emergency Equipment	5-8
Communication equipment	3-6
Leased assets	
• Office Equipment	1-10
Wastewater network	
• Sewerage	15-50
Water network	
• Water maintenance and purification	15-55
• Water reservoir	30-55

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

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1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - cost

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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1.7 Impairment of non-cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Intangible assets

Initial Recognition

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Accounting Policies

1.8 Intangible assets (continued)

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale
- it is technically feasible to complete the intangible asset
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement -cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5-13

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Website costs

The municipality has a website designed for internal and external access. The municipality is at the operating stage which comprises maintaining and enhancing applications, infrastructure, graphical design and the content of the file. The municipality incurs internally generated costs on the operation of the website and the costs are therefore expensed.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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1.9 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Initial recognition

Inventories assets in the form of materials or supplies to be consumed or distributed in the rendering of service. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date.

Consumable inventory is valued using the weighted average cost whilst water inventory is valued using the weighted average cost method.

Subsequent measurement

Inventories, consisting of consumable stores and raw materials, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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Accounting Policies

1.10 Financial instruments

Classification

Financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality

Financial instruments comprise of financial assets and liabilities in accordance with GRAP 104.

A financial asset is cash; a residual interest of another municipality; or a contractual right to receive cash or another financial asset from another municipality or exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A residual interest is any contract that entitles the holder to an interest in the assets of an municipality after deducting all of its liabilities (i.e. net assets).

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another municipality; or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Financial instruments, depending on its category, are initially measured at fair value, cost or amortised costs in accordance with GRAP 104. Transaction costs are only included in financial instruments that are initially measured at amortised costs.

Initial recognition and measurement

Financial instruments classified at fair value (fair value measurement considerations)
The best evidence of fair value is a quoted price in an active market.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, broker, dealer, etc., and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Short-term receivables and payables with no stated interest rate is be measured at the original invoice amount if the effect of discounting is immaterial.

Where there is no active market, the fair value is determined using a valuation technique such as;
- Additional textrecent arm's length market transaction;
- if available, reference to the current fair value of another instrument that is substantially the same;
- discounted cash flow analysis, discounting the future receipts (payments) of a financial instrument over the period of the contract, by using a market interest rate (adjusted for credit risk), to its present value.

Financial instruments classified at cost
If the fair value of a financial instrument cannot be reliably measured, it is measured at cost.

Financial assets at fair value are subsequently measured by using the fair value measurement considerations.

Any gains or losses due to changes in fair market value during the period are reported as gains or losses in the statement of financial performance, because such investments will usually be sold in the near future at their market value.

This effective interest rate method is used for these financial instruments. The interest rate used is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount recognised at initial recognition. The rate is then applied to the carrying amount at each reporting date to determine the interest expense or revenue for the period

Financial instruments classified at amortised cost
For financial instruments measured at amortised cost, the interest expense (for financial liabilities) or revenue (for financial assets) is calculated by using the effective interest rate method. The interest rate used is equal to the prevailing rate of return for financial instruments having substantially the same terms and characteristics of the municipality's financial instrument which include:
- the credit quality;
- the remaining term over which the contractual interest rate is fixed;
- the remaining period to repayment of the principal; and
- the currency (if applicable).

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Accounting Policies

1.10 Financial Instruments (continued)

Subsequent measurement

Impairment and uncollectability of financial assets
At the end of each reporting period, the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Impairment and uncollectability of financial assets
If there is objective evidence that an impairment loss on a financial asset has occurred, the loss must be recognised in surplus or deficit. Objective evidence that a financial asset or group of assets is impaired can be as a result of the occurrence of one or more of the following events:

(a)Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The municipality would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
- the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
- national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)

(b) An municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an municipality includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The carrying amount of a financial asset is reduced directly through the use of an allowance account. The impairment loss is recognised in the statement of financial performance.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

As soon as information becomes available that specifically identifies losses on individually impaired assets in a group (that are collectively assessed for impairment), those assets are removed from the group and assessed individually for impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are grouped together. The credit risk characteristics should be indicative of the debtors? ability to pay all amounts due according to the contractual terms.

Receivables from exchange transactions

Trade and other receivables are initially designated at fair value.

Short-term receivables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial.

Payables from exchange transactions

Financial liabilities consist of trade payables. They are categorised as financial liabilities held at fair value.

Short-term payables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial.

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Accounting Policies

1.10 Financial instruments (continued)

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Gains and losses

Gains or losses can arise from both a financial asset and financial liability measured at fair value, at amortised cost or cost. Any gains and losses are recognised in the statement of financial performance.

Fair value - Changes in fair value will result in either a gain or loss.

Amortised costs and cost - gains and losses are recognised when derecognised, impaired or through the amortisation process.

Derecognition

Financial assets

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all the risks and rewards of the ownership of the asset; or The municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the that party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

If the municipality has not transferred substantially all of the risks and rewards of ownership of the financial asset, it should continue to recognise the asset.

Financial liabilities

The municipality derecognises a financial liability only when:

- Discharges the liability (or part thereof) by paying the creditor, normally with cash, other financial liabilities, goods or services;
- Waives the debt or it is assumed by another entity by way of a non-exchange transaction. These transactions are accounted for by considering the requirements in GRAP 104 and GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers).
- Is legally released from primary responsibility for the liability (o part of it) either by process of law (expires) or by the creditor (cancelled). If the debtor has given a guarantee, this condition may still be met; or

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

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1.10 Financial Instruments (continued)

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.11 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The identified unauthorised expenditure is disclosed in the note to the annual financial statements in the year that it is incurred.

1.12 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The identified irregular expenditure is disclosed in the note to the annual financial statements in the year that it is incurred.

1.13 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The identified fruitless and wasteful expenditure is disclosed in the note to the annual financial statements in the year that it is incurred.

1.14 Provisions and Contigents

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision..

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;

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Accounting Policies

1.14 Provisions and Contigents (continued)

- the location, function, and approximate number of employees who will be compensated for terminating their services;
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.15 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term..

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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1.16 Revenue from non-exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest income

Revenue arising from the use by others of municipal assets yielding interest shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably. Interest shall be recognised on a time basis that takes into account the effective yield of interest

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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1.17 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.18 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the Balance Sheet date. Events after the Balance Sheet date that are indicative of conditions that arose after the Balance Sheet date are dealt with by way of a note to the Financial Statements.

1.19 Commitments

A commitment arises when a decision is made to incur a liability e.g. purchase order, delivery schedules or contract for construction of infrastructure assets. A commitment becomes a liability when the intention to agree to an outflow of resources outflow of resources becomes a present obligation.

The commitments are not recognised as a liability in the statement of financial position but are disclosed in the notes to the financial statements.

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1.20 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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1.20 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Long term service awards and accumulated leave days

Long term service

Employees qualify for additional leave for various period of uninterrupted service in accordance with SALGBC condition of service. The long term service award measured in accordance with GRAP 25 through an actuarial valuation.

Accumulated leave days

Accumulated leave benefit accrues to employees unto maximum of 48 leave days. The benefits are paid in the events of death, disability, retrenchment or/and retirement. Employees who have leave days in excess of the 48 days for periods, before the conditions of service came to effect, are measured in accordance with GRAP 25 through an actuarial valuation.

1.21 Change in accounting policy, accounting estimates and prior period errors

Change in accounting estimate

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities.

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. Any changes to the relevant financial items (associated with assets and liabilities) are made prospectively.

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1.21 Change in accounting policy, accounting estimates and prior period errors (continued)

Change in accounting policy

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an municipality in preparing and presenting financial statements. Any changes to these policies arising from new or amended GRAP standards will be applied either retrospectively or prospectively if transitional provisions exists.

Prior period errors

Prior period errors are omissions from, and misstatements in, the municipality's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that;
(a) was available when financial statements for those periods were authorised for issue; and
(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.
Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

A prior period error is corrected by retrospective restatement, except to the extent that it is impracticable to determine the period-specific or cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

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Accounting Policies

1.23 Budget information

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements.

The annual budget figures included in the financial statements are for the Municipality and these figures are those approved by the Council at the beginning and during the year.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury and requirements of GRAP 25.

1.24 Value added tax

VAT is accounted for on an accrual basis and payable on the cash basis.

1.25 Commission expense

Commission expense is accounted for on an accrual basis.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. Cash and cash equivalents

Cash and cash equivalents consist of:

First National Bank (Primary Bank Account)	1 504 446	4 541 778
Cash on hand	20 838	20 838
	1 525 284	**4 562 616**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
FNBBANK - Current account - 620-055-56339	1 504 446	4 541 778	1 504 446	4 541 778

3. Receivables from non-exchange transactions

Trade debtors	32 030 826	19 111 641
Provision for bad debt	(6 633 877)	(6 633 878)
	25 396 949	**12 477 763**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	6 633 877	6 639 877
Provision for impairment	-	-
Amounts written off as uncollectible	-	(6 000)
	6 633 877	**6 633 877**

Included in trade debtors		
Local Municipalities -Unspent grants	2 618 209	2 348 867
Payroll debtors	9 601	9 601
Blouberg Municipality - Refunds for water payments	1 830 431	1 113 104
Molemole Municipality- Refunds for water payments	983 031	565 948
Lepelle Nkumpi Municipality - Refunds for water payments	15 426 422	8 608 974
Other debtors	11 163 132	6 465 147
	32 030 826	**19 111 641**

4. Inventories

Consumable stores	448 605	604 868
Maintenance materials	3 571 371	4 859 506
Water	172 699	178 930
	4 192 675	**5 643 304**

No inventories were pledged as security for liabilities.

Inventories recognised as an expense during the year	70 865 160	70 289 218

5. Prepayments

Prepaid expenses	3 290 106	2 811 582

Advanced payment were made to SALGA for 2019/20 membership fees 2019: R3 290 106 (2018: R2 320 116) , office rental paid in advance 2019: R0 (2018: R491 466)

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

6. VAT receivable

VAT	21 963 511	41 632 326

VAT is accounted for on a accrual basis.

7. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	11 861 500	-	11 861 500	11 861 500	-	11 861 500
Plant and machinery	15 585 819	(6 928 655)	8 657 164	12 890 703	(5 519 059)	7 371 644
Furniture and fixtures	11 667 550	(6 612 932)	5 054 618	11 551 806	(5 476 738)	6 075 068
Motor vehicles	62 684 782	(26 363 276)	36 321 506	56 733 893	(23 004 148)	33 729 745
IT equipment	15 920 160	(5 012 277)	10 907 883	13 849 256	(3 729 445)	10 119 811
Infrastructure	2 450 722 467	(529 226 579)	1 921 495 888	2 210 054 562	(466 503 090)	1 743 551 472
Community	85 094 054	(27 484 700)	57 609 354	75 066 044	(25 161 903)	49 904 141
Assets under construction	552 041 171	-	552 041 171	529 464 012	-	529 464 012
Leased assets	5 295 742	(3 530 525)	1 765 217	5 295 742	(1 765 278)	3 530 464
Total	**3 210 873 245**	**(605 158 944)**	**2 605 714 301**	**2 926 767 518**	**(531 159 661)**	**2 395 607 857**

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Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	11 861 500	-	-	-	-	-	-	-	11 861 500
Plant and machinery	7 371 644	2 695 116	-	-	-	-	(1 409 596)	-	8 657 164
Furniture and fixtures	6 075 068	115 744	-	-	-	-	(1 136 194)	-	5 054 618
Motor vehicles	33 729 745	7 108 070	(789 419)	-	-	-	(3 726 890)	-	36 321 506
IT equipment	10 119 811	2 118 593	(35 793)	-	-	-	(1 294 728)	-	10 907 883
Infrastructure	1 743 551 472	38 623 274	-	203 536 327	-	-	(54 483 853)	(9 731 332)	1 921 495 888
Community	49 904 141	226 227	-	9 801 782	-	-	(2 180 477)	(142 319)	57 609 354
Assets under construction	529 464 012	275 524 653	-	(213 338 109)	-	(39 609 385)	-	-	552 041 171
Leased assets	3 530 464	-	-	-	-	-	(1 765 247)	-	1 765 217
	2 395 607 857	**326 411 677**	**(825 212)**	**-**	**-**	**(39 609 385)**	**(65 996 985)**	**(9 873 651)**	**2 605 714 301**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	11 861 500	-	-	-	-	-	-	11 861 500
Plant and machinery	7 815 511	1 120 042	(288 720)	-	-	(1 275 189)	-	7 371 644
Furniture and fixtures	6 530 211	926 860	(264 072)	-	-	(1 117 931)	-	6 075 068
Motor vehicles	29 184 799	8 109 232	(353 072)	-	-	(3 211 214)	-	33 729 745
IT equipment	9 532 050	1 576 676	(60 994)	-	(1 240)	(926 681)	-	10 119 811
Infrastructure	1 496 500 966	77 072 056	-	220 749 097	-	(49 326 140)	(1 444 507)	1 743 551 472
Community	49 180 541	2 068 870	-	2 995 184	-	(2 107 808)	(2 232 646)	49 904 141
Assets under construction	501 986 790	251 221 503	-	(223 744 281)	-	-	-	529 464 012
Leased assets	-	5 295 742	-	-	-	(1 765 278)	-	3 530 464
	2 112 592 368	**347 390 981**	**(966 858)**	**-**	**(1 240)**	**(59 730 241)**	**(3 677 153)**	**2 395 607 857**

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

8. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	24 162 525	(18 640 526)	5 521 999	24 162 525	(13 969 857)	10 192 668

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	10 192 668	-	-	(4 670 669)	5 521 999

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	11 624 830	3 025 474	(67 449)	(4 390 187)	10 192 668

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9. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement medical benefits to qualifying employees/ pensioners. All post-retirement medical benefits are unfunded.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2019 by ZAQ Consultants and Actuaries.

The municipality has no legal obligations to settle this liability with any immediate contributions or additional once-off contributions. The municipality intends to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

The accumulated defined benefit obligation in respect of the post-retirement medical contributions are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits) as follows:

	2019	2018
Movement in the employee health-care liability		
Liability as at 1 July	4 122 000	4 492 000
Benefits paid	(357 000)	(326 000)
Current Service Costs	-	-
Interest	393 000	440 000
Acturial losses	64 000	(484 000)
	4 222 000	**4 122 000**

	2019	2018
Current portion of liability	401 000	393 000
Non- current portion of liability	3 821 000	3 729 000
	4 222 000	**4 122 000**

	2019	2018
Amounts recognised in the annual financial statements		
Current service cost	-	-
Interest cost	393 000	440 000
Past service cost	-	-
Acturial losses/(gains)	64 000	(484 000)
	457 000	**(44 000)**

Sensitivity analysis

As mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

-20% increase/decrease in the assumed level of mortality;
-1% increase/decrease in the Medical aid inflation.

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

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9. Employee benefit obligations (continued)

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	4 596 000	4 222 000	3 926 000
Interest Cost	438 000	401 000	371 000
Service Cost	-	-	-
	5 034 000	**4 623 000**	**4 297 000**

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	3 873 000	4 222 000	4 627 000
Interest Cost	366 000	401 000	441 000
Service Cost	-	-	-
	4 239 000	**4 623 000**	**5 068 000**

Actuarial Loss/(Gain)

The combined Accrued Liability in respect of Post-employment medical aid liability is built-up as follows:

	Current Valuation date 30 June 2019	1 Year Following the Valuation Date	2 Years Following the Valuation Date	3 Years Following the Valuation Date
PV of the obligation as at the previous valuation date	4 222 000	4 257 000	4 287 000	4 317 000
Current Service Cost	-	-	-	-
Interest Cost	393 000	401 000	403 000	406 000
Actuarial Loss / (Gain)	64 000	-	-	-
	4 679 000	**4 658 000**	**4 690 000**	**4 723 000**

Membership Data

According to the information provided, the number of members entitled to receive postemployment medical aid subsidies from the Municipality were:

Category	30-06-2019 Valuation	30-06-2018 Valuation
Current (In Service) Members	-	-
Continuation Members (Pensioners)	6	6
	6	**6**

Accrued Contractual Liability

The figures below reflect the total value of the accrued contractual liability of the Municipality in respect of post-employment medical aid benefits offered to employees:

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9. Employee benefit obligations (continued)

Category	30-06-2019 Valuation	30-06-2018 Valuation
Current (In Service) Members	-	-
Continuation Members (Pensioners)	4 222 000	4 122 000
	4 222 000	**4 122 000**

Interest and Service Costs

Category	30-06-2019 Valuation To be used in the 30 June 2018 Actuarial Loss/(Gain) calculation	30-06-2018 Valuation To be used in the 30 June 2017 Actuarial Loss/(Gain) calculation
Interest Cost	401 000	393 000
Current Service Cost	-	-
	401 000	**393 000**

Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

Valuation Assumptions

In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Financial Variables

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:

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Figures in Rand	2019	2018

9. Employee benefit obligations (continued)

Financial Variable	Assumed Value 30-06-2019 (Current Valuation)	Assumed Value 30-06-2018 (Preceding Valuation)
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curves	Difference between nominal and yield curves
Medical Aid Contribution Inflation	CPI+1%	CPI+1%
Net Effective Discount Rate	Yield curve based**	Yield curve based**

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

*Statement of Financial Position (herein referred to as the "balance sheet").

We used the nominal and real zero curves as at **30 June 2019** as supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would outstrip general inflation by 1% per annum over the foreseeable future.

Average Retirement Age

The average retirement age for all active employees was assumed to be **58** years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be **65** years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependents

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Figures in Rand	2019	2018

9. Employee benefit obligations (continued)

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that **90%** of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be **five** years younger than their male spouses at retirement and vice versa.

Long service award

The municipality provides long-service awards to its permanent employees

The benefit of long-service awards is provided in the form of annual leave and a gift to a certain monetary value.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2019 by ZAQ Consultants and Actuaries.

The municipality has no legal obligations to settle this liability with any immediate contributions or additional once-off contributions.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits) as follows:

Movement in the long-service award liability		
Liability as at 1 July	11 794 000	11 179 000
Benefits paid	(959 000)	(1 699 000)
Current service cost	1 132 000	1 104 000
Interest	1 143 000	1 142 000
Acturial losses/ (gains)	(274 000)	68 000
	12 836 000	**11 794 000**

Current portion of liability	2 412 000	2 275 000
Non-current portion of liability	10 424 000	9 519 000
	12 836 000	**11 794 000**

Expense recognised in Statement of Financial Performance		
Current service cost	1 132 000	1 104 000
Interest cost	1 143 000	1 142 000
Past service cost	-	-
Acturial losses/ (gains)	(274 000)	68 000
	2 001 000	**2 314 000**

Changes in the value of obligation	Current Valuation date 30 June 2019	1 Year following the Valuation Date	2 Years following the Valuation Date	3 Years following the Valuation Date
Liability recognised in the balance sheet	11 794 000	12 836 000	13 025 000	12 798 359
Current service cost	1 132 000	1 149 000	1 212 026	1 283 312
Interest cost	1 143 000	1 263 000	1 219 333	1 254 123
Benefits paid	(959 000)	(2 223 000)	(2 658 000)	(1 574 000)
Acturial Loss/ (Gain)	(274 000)	-	-	-
	12 836 000	**13 025 000**	**12 798 359**	**13 761 794**

Membership data

According to the information provided, the number of memebrs entitled to receive long service leave awards from the municipality were;

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9. Employee benefit obligations (continued)

Gender	Number of active employees	Salary weighted average age (Years)	Weighted average past service (Years)
Male	312	47,07	15,15
Female	227	42,92	10,92

Long Service Awards Liabilities

Category	30-06-2019 Valuation	30-06-2018 Valuation
Accrued liability	12 836 000	11 794 000

Interest and service costs

Category	30-06-2019 Valuation. To be used in the 30 June 2017 Actuarial Loss/(Gain) calculation	30-06-2018 Valuation. To be used in the 30 June 2016 Actuarial Loss/(Gain) calculation
Interest cost	1 263 000	1 143 000
Current service cost	1 149 000	1 132 000
	2 412 000	**2 275 000**

Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date

Long Service Awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

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9. Employee benefit obligations (continued)

Completed Years of Service	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
10	4%	(10/250)*Annual Salary
15	8%	(20/250)*Annual Salary
20,25,30,35,40, and 45	12%	(30/250)*Annual Salary

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Valuation of Assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Financial Variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Employee benefit obligations (continued)

Financial Variable	Assumed Value 30-06-2019 (Current Valuation)	Assumed Value at 30-06-2018 (Preceding Valuation)
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1%
Net Effective Discount Rate	Yield Curve Based**	Yield Curve Based**

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

*Statement of Financial Position (herein referred to as the "balance sheet").

We use the nominal and real zero curves as at **29 June 2019** supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

** The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2019 of 7.36%. The next salary increase was assumed to take place on 01 July 2020.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Promotional Salary Increase Rates

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9. Employee benefit obligations (continued)

Age band	Promotional Increase
20-24	5 %
25-29	4 %
30-34	3 %
35-39	2 %
40-44	1 %
45 and over	- %
	15 %

Average Retirement Age

The average retirement age for all active employees was assumed to be **58** years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be **65** years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %
60 +	- %	- %
	59 %	**80 %**

Membership Data

The information below is based on the membership data received from the Municipality.

Eligible male employees

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9. Employee benefit obligations (continued)

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	3	198 449	3,16	4 386
30 - 39	71	311 039	6,31	19 301
40 - 49	74	369 427	10,69	35 741
50 - 59	129	266 454	21,84	19 801
60 +	35	226 500	27,08	-
	312	**1 371 869**		**79 229**

Eligible female employees

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	3	383 364	3,18	6 871
30 - 39	83	342 656	7,21	24 328
40 - 49	82	361 890	11,66	40 526
50 - 59	45	270 890	21,14	19 778
60 +	14	226 282	27,14	-
	227	**1 585 082**		**91 503**

Total eligible employees

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9. Employee benefit obligations (continued)

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	6	290 906	3,17	5 629
30 - 39	154	328 080	6,82	22 011
40 - 49	156	365 465	10,64	38 256
50 - 59	174	267 601	21,66	19 795
60 +	49	226 438	27,09	-
	539	**1 478 490**		**85 691**

Interest Cost

The Interest Cost represents the accrual of interest on the Accrued Defined Benefit Obligation, allowing for benefit payments, over the corresponding year. This arises because the long service benefits are one year closer to payment. This item should be accounted for in the Statement of profit or loss and other comprehensive income (herein after referred to as the "income statement") according to GRAP 25.

Current Service Cost

The Current Service Cost reflects the additional liability that is expected to accrue in respect of in service members' service over the corresponding year. This item should be accounted for in the income statement according to GRAP 25.

Sensitivity Analysis

As mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

-20% increase/decrease in the assumed level of withdrawal rates;
-1% increase/decrease in the Normal Salary cost inflation

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	13 539 000	12 836 000	12 197 000
Current Service Cost	1 239 000	1 149 000	1 070 000
Interest Cost	1 337 000	1 263 000	1 196 000
	16 115 000	**15 248 000**	**14 463 000**

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

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Figures in Rand	2019	2018

9. Employee benefit obligations (continued)

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	12 117 000	12 836 000	13 618 000
Current Service Cost	1 071 000	1 149 000	1 236 000
Interest Cost	1 188 000	1 263 000	1 345 000
	14 376 000	**15 248 000**	**16 199 000**

Long-term leave

The municipality, in recognition of services rendered, grants employees 24 working days leave per year.

This leave is cumulative up to a limit of 48 working days.

There is no discounting applied to the calculation of the provision and the amount is balsed on the estimated 1 July salaries after allowing for an estimated salary increase. The provision is split between that which is expected to be taken within 12 months of the valuation date and that which will be taken after the 12 months.

Movement in the leave provision		
Liability as at 1 July	29 693 031	20 227 136
Annual leave forfeited	-	(161 577)
Net accrued leave days over the years	5 043 718	9 627 473
	34 736 749	**29 693 032**

Current portion of liability	2 463 131	2 208 774
Non-current portion of liability	32 273 618	27 484 258
	34 736 749	**29 693 032**

Leave Days Provisional Liabilities

There is no standard acturial formula that prescribes the way in which the accrued leave days balance should be broken down betweeen short term and long-term components. We recommend that the municipality follow an approach that is consistent with its past experience.

No discontinuing is applied to the calculation of the annual leave provisions. The leave provision is based on the estimated 1 July 2019 salaries after allowing for an estimated salary increase of 6%. The provision is split between that which is expected to be taken within 12 months of the valuation date (short-term portion) and that which will be taken after 30 June 2020 (long-term portion)

In order to calculate the short term and long-term components of the accrued leave days provisional liability we assumed that;

1. Employees reaching the expected retirement age of 63 over the coming year would cash-in their accrued leave balances in full;

2. Employees resigning from service would cash-in their accrued leave days balances in full;

3. Other employees remaining in service would take their full 24 leave days in the coming year.

We assume that all employees will take up leave to avoid forfeiture of leave days. Employees that resign or retire over the coming will have their leave balance cashed on resignation/ retirement. We assumed 250 working days per year for the purposes of calculating the value of the accrued benefit. The current portion of the accrued leave also takes into account withdrawals from service over the next 12 months according to the table below.

Withdrawal decrements

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9. Employee benefit obligations (continued)

Age band	Withdrawal Rate Males	Withdrawal Rate Females
20-24	16 %	24 %
25-29	12 %	18 %
30-34	10 %	15 %
35-39	8 %	10 %
40-44	6 %	6 %
45-49	4 %	4 %
50-54	2 %	2 %
55-59	1 %	1 %
60+	- %	- %
	59 %	**80 %**

Membership data

The information below is based on the membership data received from the municipality.

According to the information provided, the number of members entitled to receive leave days from the municipality were:

Gender	Number of active employees	Salary weighted average age (Years)	Average Annual Salary
Male	325	56,35	295 887
Female	234	41,28	328 738
	559		**624 625**

10. Payables from exchange transactions

	2019	2018
Trade payables	30 492 079	71 969 768
Retention Creditors	76 708 062	75 443 526
Other creditors	7 637 286	7 567 771
Commission payable	109 130 763	82 493 919
	223 968 190	**237 474 984**

The fair value of trade and other payables approximates their carrying amounts.Commission payable is 30% of cash collected or cash to be collected by the local municipalities for the provision of water services in line with the service level agreements.

Commission payable per municipality		
Lepelle-Nkumpi Local Municipality	105 423 234	80 467 538
Molemole Local Municipality	1 491 377	915 778
Blouberg Local Municipality	2 216 152	1 110 604
	109 130 763	**82 493 920**

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Figures in Rand	2019	2018

11. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	5 623 486	5 936 000	(5 489 952)	6 069 534
Provision for leave	29 693 030	5 043 718	-	34 736 748
Post-employment medical benefits	4 122 000	457 000	(357 000)	4 222 000
Long-service award	11 794 000	2 001 000	(959 000)	12 836 000
	51 232 516	**13 437 718**	**(6 805 952)**	**57 864 282**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	5 013 083	5 600 000	(4 989 597)	5 623 486
Provision for leave	20 227 134	12 289 693	(2 823 797)	29 693 030
Post-employment medical	4 492 000	(44 000)	(326 000)	4 122 000
Long-service awards	11 179 000	2 314 000	(1 699 000)	11 794 000
	40 911 217	**20 159 693**	**(9 838 394)**	**51 232 516**

	2019	2018
Non-current liabilities	46 518 617	40 177 682
Current liabilities	11 345 665	11 054 834
	57 864 282	**51 232 516**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2019	2018
Unspent conditional grants and receipts		
Finance management grant (FMG)	-	-
Municipal Infrastructure Grant(MIG)	-	-
Expanded Public Works Programme(EPWP)	-	371 801
Rural Transport Services Infrastructure Grant (RTSIG)	-	-
Water Services Infrastructure Grants (WSIG)	-	-
	-	**371 801**

	2019	2018
Municipal infrastructure grant (MIG)		
Current year receipts	225 862 000	235 037 000
Conditions met transferred to revenue	(225 862 000)	(235 037 000)
	-	-

	2019	2018
Finance management grant (FMG)		
Balance unspent at the beginning of the year	-	9 118
Current year receipts	1 000 000	1 250 000
Conditions met transferred to revenue	(1 000 000)	(1 250 000)
Funds returned to Treasury	-	(9 118)
	-	-

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Figures in Rand	2019	2018

12. Unspent conditional grants and receipts (continued)

Expanded Public Works Programme Integrated Grant for Municipalities (EPWP)		
Balance unspent at the beginning of the year	371 801	450 919
Current year receipts	3 642 000	5 080 000
Conditions met transferred to revenue	(3 642 000)	(4 708 199)
Funds returned to Treasury	(371 801)	(450 919)
	-	**371 801**

Rural transport services infrastructure grant (RTSIG)		
Balance unspent at the beginning of the year	-	106 087
Current year receipts	2 422 000	-
Conditions met transferred to revenue	(2 422 000)	-
Funds returned to Treasury	-	(106 087)
	-	-

Water Services Infrastructure grant (WSIG)		
Balance unspent at the beginning of the year	-	781 196
Current year receipts	78 000 000	90 000 000
Conditions met transferred to revenue	(78 000 000)	(90 000 000)
Funds returned to Treasury	-	(781 196)
	-	-

13. Finance lease obligation

Minimum lease payments due		
- within one year	2 058 011	2 058 011
- in second to fifth year inclusive	-	2 058 011
	2 058 011	4 116 022
less: future finance charges	(109 849)	(408 728)
Present value of minimum lease payments	**1 948 162**	**3 707 294**

Present value of minimum lease payments due		
- within one year	1 948 162	1 759 134
- in second to fifth year inclusive	-	1 948 162
	1 948 162	**3 707 296**

Non-current liabilities	-	1 948 162
Current liabilities	1 948 162	1 759 134
	1 948 162	**3 707 296**

The municipality leased certain computer equipments(printers) under finance leases.

The average lease term is 3 years and the average effective borrowing rate was 10% (2018: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and include additional charges for contingent rent based on a percentage of sales.

Contingent rents	966 075	1 506 801

Contingent rent is payable based on the paper usage.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Operating lease accrual

Current liabilities	(212 296)	(140 262)

Future lease payments under non- cancellable operating lease:

Rental of office buildings		
Payable within one year	3 285 912	1 832 199
Payable within two to five years	4 071 352	60 440
	7 357 264	**1 892 639**

Minimum lease payments recognised in statement of financial performance.

Lease rentals on operating lease	9 935 239	11 293 074

15. Receivables from exchange transactions

Gross balances		
Water	361 218 243	272 428 766
Less: Allowance for impairment		
Water	(301 248 481)	(227 935 081)
Net balance		
Water	59 969 762	44 493 685

Water		
Current (0 -30 days)	20 008 579	7 759 088
31 - 60 days	7 717 531	6 920 478
61 - 90 days	6 700 788	5 533 928
91 - 120 days	5 191 215	4 909 894
121 - 365 days	20 351 649	19 370 297
	59 969 762	**44 493 685**

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Figures in Rand	2019	2018

15. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	16 367 793	7 904 136
31 - 60 days	9 096 793	7 860 944
61 - 90 days	8 580 572	7 071 394
91 - 120 days	7 235 693	7 088 037
121 - 365 days	271 996 162	231 626 598
	313 277 013	261 551 109
Less: Allowance for impairment	(285 583 897)	(217 069 299)
	27 693 116	**44 481 810**

Industrial/ commercial		
Current (0 -30 days)	4 184 494	658 556
31 - 60 days	546 873	573 672
61 - 90 days	532 727	401 848
91 - 120 days	550 369	312 899
121 - 365 days	19 048 615	10 038 287
	24 863 078	11 985 262
Less: Allowance for impairment	(15 664 584)	(10 865 782)
	9 198 494	**1 119 480**

National and provincial government		
Current (0 -30 days)	10 811 212	746 415
31 - 60 days	347 285	694 593
61 - 90 days	382 586	756 457
91 - 120 days	395 859	584 509
121 - 365 days	13 757 581	14 779 354
	25 694 523	**17 561 328**

Total		
Current (0 -30 days)	31 360 499	8 610 355
31 - 60 days	9 990 950	8 543 878
61 - 90 days	9 495 885	7 499 552
91 - 120 days	8 181 921	7 424 156
121 - 365 days	302 188 988	240 350 825
	361 218 243	272 428 766
Less: Allowance for impairment	(301 248 481)	(227 935 081)
	59 969 762	**44 493 685**

Less: Allowance for impairment		
Current (0 -30 days)	(1 966 541)	(851 267)
31 - 60 days	(1 973 236)	(1 623 400)
61 - 90 days	(2 648 626)	(1 965 624)
91 - 120 days	(2 860 215)	(2 514 263)
121 - 365 days	(291 799 863)	(220 980 527)
	(301 248 481)	**(227 935 081)**

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(227 935 081)	(136 163 812)
Contributions to allowance	(63 750 783)	(79 734 500)
VAT on impairment	(9 562 617)	(12 036 769)
	(301 248 481)	**(227 935 081)**

16. Revenue

Service charges	70 928 518	70 109 503
Other income	1 680 378	1 833 137
Interest received - external investment	29 477 893	32 028 873
Interest earned -outstanding receivables	18 038 581	19 484 497
Government grants & subsidies	858 788 000	855 241 873
	978 913 370	**978 697 883**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	70 928 518	70 109 503
Other income	1 680 378	1 833 137
Interest received - external investment	29 477 893	32 028 873
Interest earned -outstanding receivables	18 038 581	19 484 497
	120 125 370	**123 456 010**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	858 788 000	855 241 873

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Figures in Rand	2019	2018

17. Employee related costs

Basic	205 751 100	193 525 288
Bonus	14 780 458	17 955 334
Medical aid - company contributions	13 867 961	13 395 097
UIF	1 023 750	1 137 683
Long-service awards	2 980 558	-
Car allowance	16 530 821	30 738 907
Housing benefits and allowances	2 249 748	2 758 093
Pension fund	32 103 162	30 703 224
	289 287 558	**290 213 626**

Remuneration of Municipal Manager

Annual Remuneration	1 551 725	615 938
Car and other allowances	146 148	60 895
Contributions to UIF, Medical and Pension Funds	27 030	4 994
	1 724 903	**681 827**

Remuneration of Chief Finance Officer

Annual Remuneration	1 178 381	463 299
Car and other allowances	136 836	57 015
Contributions to UIF, Medical and Pension Funds	90 163	35 548
	1 405 380	**555 862**

Remuneration of Technical Services

Annual Remuneration	219 258	-

Remuneration of Development, Economic and Planning Management Services

Annual Remuneration	909 493	411 815
Car and other allowances	224 030	45 815
Contributions to UIF, Medical and Pension Funds	79 222	27 627
	1 212 745	**485 257**

Remuneration of Strategic Support Services

Annual Remuneration	1 018 274	-
Car and other allowances	180 433	-
Contributions to UIF, Medical and Pension Funds	115 861	-
	1 314 568	**-**

Remuneration of Corporate Services

Annual Remuneration	882 669	346 705
Car and other allowances	136 836	57 015
Contributions to UIF, Medical and Pension Funds	204 369	80 543
	1 223 874	**484 263**

Remuneration of Community Services

Annual Remuneration	521 438	1 197 529
Car and other allowances	10 292	499 111

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
17. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	16 403	120 808
	548 133	**1 817 448**

Perfomance bonuses for Senior Management were paid as follows		
Municipal Manager	32 006	-
Chief Financial Officer	24 297	-
Strategic Support Services	53 121	-
Corporate Services	6 546	-
Remuneration of Community Services	-	38 788
	115 970	**38 788**

18. Remuneration of councillors

Executive Mayor	1 063 893	1 023 905
Chief Whip	799 445	787 916
Mayoral Committee Members	4 340 962	5 089 993
Speaker	837 877	843 393
Councillors	4 617 894	3 684 281
Councillors' pension and medical aid contribution	396 825	2 266 628
Councillors' allowances	1 650 703	1 858 019
Section 79 Committee	482 846	-
	14 190 445	**15 554 135**

The salaries, allowances and benefits of political office- bearers and councillors of the municipality, are within the upper limits of the framework envisaged in section 219 of the Constitution read with the Remuneration of Public Office Bearers Act (Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

Section 79 Committee is reported separately in 2019 as required by mSCOA version 6.2 which was not a requirement as per Version 6.1 (2018)

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor and the Speaker have use of a Council owned vehicle for official duties.

The Executive Mayor has three full-time bodyguards.

19. Commission Expense

Commission is paid to local municipalities for the management of water related services.

Collection costs	26 690 129	26 887 395

20. Depreciation and amortisation

Property, plant and equipment	65 996 984	59 730 188
Intangible assets	4 670 668	4 390 187
	70 667 652	**64 120 375**

21. Derecognition of Assets

Derecognition of assets	39 609 385	-

These relate to Aganang water projects which were under construction at the time of the dermacation date on the 10th of August 2016. These assets were transferred to Polokwane Municipality directly from work in progress.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

21. Derecognition of Assets (continued)

22. Finance costs

Finance, other interest and penalties	298 878	473 782

23. Bulk purchases

Water	63 918 892	65 223 237

Purchases of water from Lepelle Northern Water.

24. Grants and subsidies paid

Other subsidies		
Grants paid to local municipalities	3 030 658	3 000 000

25. Gain on Acturial Valuations

Actuarial gains	210 000	416 000

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	281 568 984	305 786 316
• Investment property	-	759 600
	281 568 984	**306 545 916**

Total capital commitments		
Already contracted for but not provided for	281 568 984	306 545 916

This expenditure will be financed from:		
Government grants - conditional	268 572 712	305 786 316
Equitable share grant	12 996 272	759 600
	281 568 984	**306 545 916**

Authorised operational expenditure

Already contracted for but not provided for		
• Infrastructure	40 074 503	34 316 745
• Community	1 322 344	3 197 939
• Other	1 303 366	1 736 654
	42 700 213	**39 251 338**

Total operational commitments		
Already contracted for but not provided for	42 700 213	39 251 338

This expenditure will be financed from:		
Equitable share grant	42 700 213	39 251 338

Total commitments

Total commitments		
Authorised capital expenditure	281 568 984	306 545 916
Authorised operational expenditure	42 700 213	39 251 338
	324 269 197	**345 797 254**

This expenditure will be financed from:		
Government grants - conditional	268 572 712	305 786 316
Equitable share grant	55 696 485	40 010 938
	324 269 197	**345 797 254**

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

27. Cash generated from operations

	2019	2018
Surplus	204 376 110	246 725 833
Adjustments for:		
Depreciation and amortisation	70 667 652	64 120 375
Loss on disposal of assets	477 937	864 414
Impairment loss	9 873 651	3 677 153
Finance costs	298 878	(473 782)
Commission paid	26 690 129	-
Debt impairment	63 634 565	78 739 166
Movements in operating lease accruals	72 034	(315 159)
Movements in provisions	(6 631 766)	5 609 585
Derecognition of assets	39 609 385	-
Gain on acturial valuations	(210 000)	(416 000)
Other income- retention liability written back		
Inventories	(1 450 629)	(698 922)
Receivables from non-exchange transactions	(12 919 031)	(2 736 828)
Prepayments	(478 524)	2 069 694
Payables from exchange transactions	13 506 794	68 782 552
VAT	19 668 815	(21 639 684)
Unspent conditional grants and receipts	(371 801)	(975 519)
Finance lease	1 792 016	-
Consumer debtors	(70 716 398)	(34 287 085)
	357 889 817	**409 045 793**

28. Unauthorised expenditure

	2019	2018
Opening balance	-	122 659 509
Less: Amount written off by council	-	(122 659 509)
	-	-

2019:No unauthorised expenditure has been incurred.

2018: No unauthorised expenditure has been incurred..

29. Irregular expenditure

	2019	2018
Opening balance	43 938 870	43 867 025
Add: Irregular Expenditure - current year	-	71 845
	43 938 870	**43 938 870**

2019: No irregular expenditure incurred

2018: The irregular expenditure is as a result of payment of repairs on vehicles.

30. Fruitless and wasteful expenditure

	2019	2018
Opening balance	1 333 347	1 537 101
Add: Current year amount	19 762	403 331
Less amount written back by service provider	(403 331)	-
Less: Amount written off by council	(930 016)	(607 085)
	19 762	**1 333 347**

2019: Penalties charged by SARS.
2018: Late payment of invoice due to disputes of statement.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 811 582	2 842 932
Current year subscription	(2 811 582)	(2 842 932)
Amount paid - current year	3 290 109	2 811 582
	3 290 109	**2 811 582**

The amount of R 3 290 109 is paid in advance as a result of the discount given for early payment.

Audit fees payable

Opening balance	-	17 202
Current year fee	3 230 029	3 748 700
Amount paid - current year	(3 230 029)	(3 765 902)
	-	-

PAYE, UIF and SDL payable

Opening balance	-	-
Current year fee	55 248 140	47 850 786
Amount paid - current year	(55 248 140)	(47 850 786)
	-	-

Pension, UIF and medical aid deductions payable

Opening balance	-	-
Current year fee	48 802 489	69 200 194
Amount paid - current year	(48 802 489)	(69 200 194)
	-	-

Arrear consumer account: Councillors

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2019:

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2019		
Councillor Ramokolo MM	-	443
Councillor Kgweedi MM	673	3 583
Councillor Doubada NM	22 257	8 306
Councillor Morotoba NL	-	5 907
Councillor Choung CM	-	6 568
Councillor Mollo MI	291	-
	23 221	**24 807**

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Figures in Rand	2019	2018

31. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from supply chain management policy needs to be approved/condoned by the Municipal Manager, and noted by Council.
The expenses incurred, as listed below, have been approved/condoned by the Municipal Manager and noted by Council.

Incident		
Lephalale Wilderness School - Sole provider	-	144 210
Transactional Advisor for Feasibility Study- Impractical to follow procurement process	-	1 681 850
Africa Travel Indaba- Sole provider	-	85 446
Forensic investigation in respect of irregularities identified by CDM	-	700 000
Repair and Calibre E Samples - Sole provider	-	56 215
Cape Town World travel market - Sole provider	-	51 554
Provision of programme director and local artist - Special work of art	-	40 000
Performing artist (Dr Malinga) - Special work of art	-	30 000
AFS Quality Reviewer - Impractical to follow procurement process.	69 000	-
Art moderator for mediated Conversation - Special works of art	15 000	-
World Travel Market Africa 2019 - Sole Provider	65 301	-
Transactional Advisor for finalising feasibility studies work - Impractical to follow procurement process.	1 681 850	-
Repairing and maintenance of meter reading scanners - Impractical to follow the SCM processes	8 913	-
Assessment Report for Mosiane T V - Impractical to follow procurement process	6 400	-
Africa's Travel Indaba 2019-Sole Provider	57 069	-
Performing Artist -Special work of art	26 000	-
Programme Director & coordination of local Artist-Special work of art	50 000	-
Caseware Renewal MSCOA -Impractical to follow procurement process.because this is the company we procured the system and the contract is expired	166 144	-
Repair and Calibrate E Samplers-Impractical to follow procurement process.The bid was advertised two times and each time the result was non- responsive	33 350	-
Educational Support Management Pax CollegeThe municipality provided Accommodation & catering) to the Capricorn District winter school which was arranged to take place at Pax College by the Capricorn-Impractical to follow procurement process.	195 000	-
Servicing & Maintenance of Hydraulic Rescue Equipment-Sole Provider	24 416	-
Procure Orgplus (Designing and maintenance of organisation structure And Jaws Softwares (screen reading for visually impaired)-Sole Provider	100 571	-
Procure Orgplus (Designing and maintenance of organisation structure And Jaws Softwares (screen reading for visually impaired)-Sole Provider	14 180	-
Payment for NLA Annual Subscription fees -Sole Provider	19 263	-
Repairing and maintenance of meter reading scanners-Impractical to follow the SCM processes because this is the company we procured the scanners for the meter readers	7 188	-
Licence renewal for meter reading system-Impractical to follow the SCM processes because this is the company we procured the scanners for the meter readers	68 241	-
	2 607 886	**2 789 275**

The following deviations were made on rate basis;

Radio Broadcasting - Special works of art
Newspaper Publishing - Special works of art
Screening process and conducting of competency - Impractical to follow procurement process
Subscription for newspapers - Special works of art
SCM Regulation 32 to conduct a feasibility study and implementation plan for the smart prepaid meter projects-Participated in a contract arranged by another organ of state
Forensic investigation in respect of irregularities identified at Capricorn District Municipality/ litigation support

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. Contingent Liability

Claim for damages
The Municipality has a contingent liability of R36 341 263 due to it being sued by service providers.

M Tech Rustenburg	16 175 619	16 175 619
In Sithu Consulting Engineers	258 051	258 051
Physon Business Solution (Pty) Ltd	1 191 614	1 191 614
Storm Fencing	585 023	585 023
Hulisani Vincent Sithagu	323 400	323 400
T Phogole/CDM	231 380	231 380
In Touch	3 516 400	3 516 400
M Rapetsoa	-	138 600
Royal Haskoning	11 472 232	11 472 232
Mantella Trading 415 cc and another	2 587 544	-
	36 341 263	**33 892 319**

Gaurantee

Guarantee held by Eskom for the supply of electricity to Lebowakgomo sewege plant amounting to R294 600

The Guarantor reserves the right to withdraw fro the guarantee upon providing 3 (three) months notice in writing of its intention.

The guarantee is neither negotiable or transferable and is limite to the payment of money only.

33. Related parties

Relationships	
Compensation to councillors	Note 18
Contributions to organised local government	Note 31
Post employment benefit plan for employees of entity and/or other related parties	Note 11
Members of key management	Note 17

34. General expenses

Advertising	1 685 767	1 968 511
Auditors remuneration	3 230 029	3 748 700
Bank charges	141 427	303 968
Cleaning	547 892	580 866
Consumables	6 952 499	5 065 981
Fines and penalties	19 762	-
Conferences and seminars	5 270 836	5 173 768
Packaging	2 517 509	2 398 234
Protective clothing	-	2 620 419
Subscriptions and membership fees	3 034 220	3 097 275
Telephone and fax	1 856 931	2 338 262
Training	4 593 409	5 309 474
Travel - local	15 470 622	-
Bursaries	886 109	685 650
Other expenses	5 241 592	9 230 897
	51 448 604	**42 522 005**

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Notes to the Annual Financial Statements

35. Key sources of estimation uncertainty and judgements

In using estimates a number of assumptions are required. GRAP 1 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 1 and in discussion with the professional consultants.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the estimate and it is very important to monitor how this difference changes from one year's estimate to the next.

The following areas involve a significant degree of estimation uncertainty:
- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Present value of defined benefit obligation
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award and medical aid benefits

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:
- Impairment of assets
- Provisions

36. Risk management

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy

The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy

The following are contractual liabilities of which the interest is included in borrowings:

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 948 162	-	-	-
Operating lease liability	212 296	-	-	-
Trade and other payables	223 968 190	-	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 759 133	-	1 948 162	-
Operating lease liability	140 262	-	-	-
Trade and other payables	237 474 984	-	-	-

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

36. Risk management (continued)

Credit risk

Investments

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy.

Receivables

Receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the exposure to credit risk is monitored continuously.

The municipality establishes an allowance for doubtful debts that represents its estimate of anticipated losses in respect of receivables. Payments of accounts of consumer debtors who are unable to pay, are negotiated in line with the 'credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk as at 30 June was:

Financial instrument	2019	2018
Call investment deposit	255 042 065	269 752 675
Cash and cash equivalents	1 525 284	4 562 616
Consumer debtors	59 969 762	44 493 685
Other receivables	25 396 949	12 477 763
VAT receivable	21 963 511	41 632 326

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

37. Impairment loss

Property, plant and equipment	(9 873 651)	(3 677 153)

38. Comparison with the Budget

Material differences between budget and actual amounts

The comparison of the Municipality's actual financial performance with that budgeted is set out in the statement of comparison of budget and actual amounts.

The budget is approved on an accrual basis using a classification based on the nature of expenses. The approved budget covers the period from 01 July 2018 to 30 June 2019. The budget and accounting basis are the same.

Changes from the approved budget to the final budget

The changes between the approved and final budget are as a consequence of adjustments and roll-overs of grants

Variances of 10% or more are explained as set out below:

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Notes to the Annual Financial Statements

38. Comparison with the Budget (continued)

Interest earned outstanding receivables (+100%) The municipality does not budget for interest on outstanding receivables.

Interest earned - external investments (+14%)The municipality has received more investment interest than anticipated.

Contracted services (+10%) Contracted services expenditure more than anticipated. This is as a result of appointments made late in 2017/18 financial year.

Operating lease (-39%) The municipality entered into new lease during the year and the effect of lease straight lining.

Depreciation and amortisation (+16%) More assets were acquired during the year.

Debt impairment Debt impairment expenditure is more than anticipated

Commission expense (-42%) Less expenditure than anticipated due to change in service level agreement.

General expenses(-46%) Less expenditure than anticipated.

The following items were not budgeted for and will have a 100% variance:

* Derecognition of assets

39. Changes in accounting estimates, errors and disclosure

Correction of error

During the financial year under review the following accounting errors were identified;

Reclassification of operating lease expenditure from contracted services to lease rentals on operating leases.

Reclassifiction of subscriptions and membership fees from contracted services to general expenses

Reclassification of Information services from general expenses to contracted services

Vat receivable was overstated due to transactions which were disallowed by SARS.

Inventory for materials was incorrectly calculated in the previous years.

Other receivables were understated due to water refunds from local municipalities which was understated.

Cash and cash equivalents Aganang petty cash incorrectly accounted for.

Accounts payable understated in previous years due to invoices which were not approved bu user departments in the relevant years.

Assets under Aganang Municipality which were incorrectly accounted for.

Cash flow statement

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior year adjustments and reclassifications.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

39. Changes in accounting estimates, errors and disclosure (continued)

Statement of financial position	As previously reported	Correction of error	Reclassification	Restated
Inventory	5 666 386	(23 082)	-	5 643 304
Vat receivable	42 770 998	(1 138 672)	-	41 632 326
Receivables from exchange transaction	10 308 956	2 159 206	9 601	12 477 763
Consumer debtors	47 068 114	(2 574 429)	-	44 493 685
Payables from exchange transactions	(242 053 508)	4 588 125	(9 601)	(237 474 984)
Current provisions	(10 194 096)	(860 738)	-	(11 054 834)
Cash and cash equivalents	4 564 702	(2 086)	-	4 562 616
Property, plant and equipment	2 374 194 246	21 413 611	-	2 395 607 857
	2 232 325 798	**23 561 935**	**-**	**2 255 887 733**

Statement of financial performance	As previously reported	Correction of error	Reclassification	Restated
Revenue	-	-	-	-
Revenue from exchange transaction- Other Income	1 833 223	(86)	-	1 833 137
	1 833 223	(86)	-	1 833 137
Expenditure	-	-	-	-
Employee related costs	(293 377 545)	(860 738)	-	(294 238 283)
Commission expense	(26 879 709)	(7 686)	-	(26 887 395)
Depreciation	(64 917 763)	797 388	-	(64 120 375)
Contracted services	(134 235 269)	(8 610 466)	17 050 703	(125 795 032)
Lease rentals on operating leases	-	(1 651 712)	(9 641 362)	(11 293 074)
General expenses	(42 501 852)	7 389 188	(7 409 341)	(42 522 005)
	(560 078 915)	**(2 944 112)**	**-**	**(563 023 027)**

40. Distribution Loss

	2019	2018
Unit purchased (kl)	8 607 878	8 903 511
Units sold (kl)	(6 047 247)	(5 067 405)
	2 560 631	**3 836 106**
Average cost per unit purchases (cents per kl)	7.42	6.68
Net loss in rands	18 999 880	25 625 192
% Loss in purchases of water	25.71 %	45.76 %

41. Other financial assets

	2019	2018
Investment deposits	255 042 065	269 752 675

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

41. Other financial assets (continued)

Current assets		
Investment deposits	255 042 065	269 752 675

Summary of investments held		
First Ntional Bank - Call Account	323 422	296 946
Nedbank Deposit Account	72 487 392	90 353 213
Investec Call Account	-	12 238 905
First National Bank - Fixed deposit 1	50 059 589	32 353 420
Standard Bank Call	132 151 337	85 145 619
ABSA Call	20 325	49 364 572
	255 042 065	**269 752 675**

Included in investment is a guarantee to Eskom amounting to R294 600.

Guarantee	294 600	294 600

42. Service charges

Sale of water	70 928 518	70 109 503

43. Government grants and subsidies

Operating grants		
Equitable share	547 862 000	521 269 570
Finance Management Grant	1 000 000	1 250 000
Rural Transport Infrastructure Grant	2 422 000	2 977 104
EPWP Grant	3 642 000	4 708 199
Water Services Infrastucture Grant	78 000 000	90 000 000
	632 926 000	620 204 873
Capital grants		
Municipal Infrastructure Grant	225 862 000	235 037 000
	225 862 000	235 037 000
	858 788 000	**855 241 873**

44. Other income - exchange

Other income	1 680 378	1 833 137

45. Debt impairment

Contributions to debt impairment provision	63 634 565	78 739 166

46. Interest revenue

Interest earned - outstanding debtors		
Interest earned from outstanding debtors	18 038 581	19 484 497

Interest revenue from financial institutions		
Interest received - external investment	29 477 893	32 028 873
	47 516 474	**51 513 370**

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018

47. Auditors' fees

Fees	3 230 029	3 748 700

48. Lease rentals on operating lease

Lease rentals on operating lease - 2		
Contractual amounts	9 935 239	11 293 074

49. Contracted services

Presented previously		
Information Technology Services	8 044 627	10 179 152
Fleet Services	13 183 426	11 335 495
Other Contractors	102 806 753	104 280 385
Contractors	**124 034 806**	**125 795 032**

50. Events after the reporting date

No events after balance sheet date has been identified.

51. Loss on disposal of assets

Property, plant and equipment	(477 937)	(864 414)

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